FEEDBACK STATEMENT – ED 215

AMENDMENTS TO THE STANDARD OF GRAP ON *ACCOUNTING BY PRINCIPALS AND AGENTS*

This Feedback Statement has been prepared by the Secretariat of the Accounting Standards Board (the Board) for information purposes only. It has not been reviewed, approved or otherwise acted on by the Board.

Overview

This Feedback Statement outlines the feedback received by the Board on ED 215 on *Proposed Amendments to the Standard of GRAP on Accounting by Principals and Agents (GRAP 109)*. It also includes the Board's responses to the comment received on ED 215.

Supporting material

The summaries of the written and verbal comments received, the Board's responses thereto, and the final approved amendments to GRAP 109 are available on the ASB's website [GRAP 109 Amendments – ASB].

What the Board heard and how it responded

General comment on the proposed amendments

Respondents generally supported the proposed amendments to GRAP 109.

Specific comment on the proposed amendments

A. Improved structure and reorganising guidance

Proposed amendments	Comment received and Board response
New headings and subheadings are included that more clearly explain the assessment to conclude if an arrangement meets the definition of a principal-agent arrangement. Guidance is grouped per topic, for example binding arrangements.	Respondents supported the amendments. No further amendments were made by the Board.

B. Guidance on binding arrangements

Proposed amendments	Comment received and Board response
A binding arrangement can exist through a contract, legislation, supporting regulations or similar, such as government policy,	Respondents supported the amendments. No further amendments were made by the Board.

instructions or orders issued by a relevant authority, and/or the operation of law. Additional guidance is included that explains that the parties' rights and obligations may be established by a combination of these mechanisms. Consequently, these mechanisms should be read together to identify all the rights and obligations of the parties when assessing whether there is a principal-agent arrangement. GRAP 109 is further clarified to explain that judgement is applied to assess whether a binding arrangement exists.	

C. Additional guidance to assess whether the arrangement is a principal-agent arrangement

Proposed amendments	Comment received and Board response
The following additional explanatory guidance is provided: • An entity first determines whether an arrangement is a principal-agent arrangement before applying GRAP 109. • Consider the substance of the arrangement, not only its legal form or legally assigned wording. • If the arrangement is modified, reassess whether the arrangement remains a principal-agent arrangement. • Direction from the principal can come from the rights and obligations in the binding arrangement. The "direction" does not have to be an active instruction. • Even though a single binding arrangement may include multiple rights and obligations for different activities and related transactions, not all transactions and activities will necessarily be a principal-agent arrangement. • Analyse each activity, transaction, or group of similar transactions separately.	Respondents supported the additional guidance and clarifications. Respondents requested that examples be included to illustrate the modification of an arrangement. The Board included two examples. No further amendments were made.

• A principal's rights and obligations in relation to transactions with third parties are substantive. The agent's rights and obligations in relation to these transactions are protective or administrative in nature.	

D. A new disclosure objective and clarified requirements

Proposed amendments	Comment received and Board response
The amendments introduce a disclosure objective to help preparers decide what information users need and whether the GRAP 109 disclosures sufficiently meet those information needs. A new disclosure requirement requires an entity to disclose significant judgements in concluding that an arrangement is a principal-agent arrangement. The amendments also cross-reference to the encouraged disclosure in GRAP 2 on *Cash Flow Statements* about the nature and amount of restricted cash balances.	Respondents supported the amendments. No further amendments were made by the Board.

Next steps

A submission will be made to the Minister of Finance to determine an effective date.

Where to access information

Information on the ASB and its work programme is available on the ASB website at www.asb.co.za. Stakeholders may also subscribe to the ASB Newsletter and access additional resources through the ASB's social media platforms.